

**Exhibit 2 – August 29, 2018 email from Plaintiff to BATFE’s Firearms
Industry Programs Branch**



SALIENT ARMS INTERNATIONAL

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Delivered Via E-Mail Only

August 29, 2018

Bureau of Alcohol, Tobacco, Firearms and Explosives
Firearms Industry Programs Branch
FIPB@atf.gov

RE: Salient Arms International, Inc.

Dear Sir or Madam:

Please be advised that I serve as general legal counsel to Salient Arms International, Inc. (“SAI”). During a recent inspection, Jason K. Williams – Industry Operations Investigator inquired whether SAI’s gunsmithing activities rise to the level of being considered “manufacturing” with respect to the work it does on Glock, Smith & Wesson, and Arsenal Firearms pistols, as well as, Benelli, Remington, and Breda shotguns. We are firmly of the opinion that the work SAI does on these firearms constitutes “gunsmithing”, not “manufacturing”.

By letter to Mr. Williams dated June 5, 2018, I explained both the factual and legal basis for our position that SAI’s activities constitute gunsmithing, not manufacturing. I subsequently spoke to Mr. Williams on the telephone. During that telephone conversation, Mr. Williams was unable to point me to any specific legal authority why SAI’s activities would be considered anything other than gunsmithing. Instead, it was Mr. Williams’ “general understanding” that the work SAI does on firearms “increases the performance” of those firearms. Consequently, Mr. Williams believed that by increasing the performance of a firearm (such as improving accuracy by installing a better barrel) SAI’s work may cross over into the realm of manufacturing. I then asked Mr. Williams if this same work would still constitute manufacturing if, in fact, it decreased the performance of the firearms in question? What if the drop in barrels SAI installed actually decreased accuracy in general or decreased accuracy at certain distances? It is respectfully suggested that gauging whether an activity constitutes manufacturing by whether it increases or decreases the “performance” of a particular firearm is an extremely vague standard that Bureau of Alcohol, Tobacco, Firearms, and Explosives (“BATFE”) has not adopted, and should not adopt at any time in the future.

Unable to conclusively determine whether SAI’s activities constitute gunsmithing or manufacturing, Mr. Williams has directed SAI to submit this letter request to the BATFE’s Firearms Industry Programs Branch (“FIPB”) for a formal determination that SAI’s gunsmithing



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activities described below are just that, and not manufacturing. Mr. Williams has asked SAI to provide FIPB with “a detailed breakdown of all processes that are performed on, and all parts that are replaced in, each model of Glock, Smith & Wesson, Arscnal Firearms, Benelli, Breda, and Remington firearm. I will address the work performed by SAI on each of these firearms in turn:

1. Glock: SAI begins with a standard Glock pistol. These pistols are complete as to all parts; and are fully functional without any modifications. SAI then replaces the factory supplied slide, barrel, and trigger assembly with SAI’s own “drop in” slide, barrel, trigger assembly, and sights. The replacement of the slides, barrels, trigger assemblies, and sights do not require any drilling, cutting, or machining. On approximately thirty percent (30%) of Glock pistols, SAI retextures the standard Glock slide by adding stylized front serrations, as well as, window and pocket cuts. SAI also stipbles the polymer portion of the frame in order to change the appearance and improve the quality of the grip. Collectively, these improvements make up SAI’s Tier 1 package for Glock.
2. Smith & Wesson: SAI begins with a standard Smith & Wesson M&P pistol. These pistols are complete as to all parts; and are fully functional without any modifications. SAI then replaces the barrel, trigger assembly, and sights with SAI’s own “drop in” barrel, trigger assembly, and sights. The replacement of the barrels, trigger assemblies, and sights do not require any drilling, cutting, or machining. SAI retextures the standard Smith & Wesson slide by adding stylized front serrations, as well as, window cuts. SAI also stipbles the polymer portion of the frame in order to change the appearance and improve the quality of the grip. Collectively, these improvements make up SAI’s Tier 1 package for Smith & Wesson.
3. Arsenal Firearms: SAI begins with a standard Arsenal Firearms pistol. These pistols are complete as to all parts; and are fully functional without any modifications. SAI then replaces the factory supplied trigger assembly, sear, and sights with SAI’s own “drop in” trigger assembly, sear, and sights. The replacement of the trigger assemblies, sears, and sights do not require any drilling, cutting, or machining. SAI has the factory supplied barrels titanium nitride coated (gold) by an outside vendor. SAI “knurls” the top, rounds the edges, and “bull-noses” the front and back of the factory supplied slide so that they are not as sharp and/or likely to catch on clothing. SAI also cuts a window in the top of the slide (ie. like on the Glock 34) so that the titanium nitride coated barrel shows through. SAI also stipbles the polymer portion of the frame in order to change the appearance and improve the quality of the grip. Collectively, these improvements make up SAI’s Tier 1 package for Arsenal Firearms Strike One pistol.



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4. Benelli: SAI begins with a standard Benelli M2 or M4 shotgun. These shotguns are complete as to all parts; and are fully functional without any modifications. On the 18.5" models, SAI cuts the standard 26" Benelli barrel in order to shorten it to 18.5". Then SAI re-choke the 18.5" barrels to accept Carlson's Tru Chokes. Upon the customer's request, SAI can port the 18.5" and 21" barrels. SAI lightens the stock Benelli bolt carriers by removing material from the top and sides of the carrier; and then sends the complete bolts to an outside vendor to have them titanium nitride coated (gold). SAI performs a "trigger job" by polishing the contact areas on the factory supplied trigger and installing lighter springs. The loading port on the receiver is machined and polished. SAI polishes the chamber of the barrel and revises the profile of the extractor. SAI removes the "fork" in the stock Benelli lifter by welding new material onto the lifter; and then polishing it so that it is smooth. The shell catch latch and bolt carrier latch are polished in order to reduce friction. SAI stipple the factory stock and forearm to change the appearance and improve the quality of the grip. Similarly, SAI rounds the edges on the factory recoil pad in order to reduce the potential to snag on clothing. SAI replaces the factory safety, bolt handle, bolt release, and front sight with "drop in" replacement parts.
5. Breda: The Breda – Salient Arms International GLD shotgun is manufactured by Breda in Italy. Breda USA is still waiting to receive unconditional permits to import the Breda – Salient Arms International GLD (the "GLD") from ATF. Consequently, SAI has not purchased or resold any Breda shotguns as of the date of this letter. The GLD will be delivered to SAI in its finished form. Therefore SAI does not have to perform the same work that it currently does on the Benelli models. It is anticipated that SAI's work on the GLD will be limited to performing quality control checks on completed shotguns.
6. Remington: SAI begins with a standard Remington 870 pump action shotgun. These shotguns are complete as to all parts; and are fully functional without any modifications. SAI cuts the standard 26" Remington barrel in order to shorten it to 18.5". Then it re-choke the 18.5" barrels to accept Carlson's Tru Chokes. SAI also ports the barrel. SAI lightens the stock Remington bolt carriers by removing material from the top and sides of the carrier; and then sends the complete bolts to an outside vendor to have them titanium nitride coated (gold). SAI performs a "trigger job" by polishing the contact areas on the factory supplied trigger and installing lighter springs. The loading port on the receiver is machined and polished. SAI polishes the chamber of the barrel and replaces the extractor with a better quality machined Remington extractor (non-MIM). SAI stipple and installs Magpul stocks and forearms to change the appearance and improve the quality of the grip. Similarly, SAI rounds the edges on the factory recoil pad in order to reduce the



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potential to snag on clothing. SAI replaces the factory safety and front sight with “drop in” replacement parts. Finally, SAI adds a Noveske sling attachment.

As is set forth in greater detail above, all of the firearms in question are complete as to all parts and fully functional when SAI receives them from the factory and/or distributor. The work performed by SAI on these firearms is to be distinguished from a situation where a licensee purchases parts and/or incomplete firearms from different vendors; and assembles those items into completed firearms. The work performed and drop in parts installed do not change the manner in which these firearms expel a projectile. Additionally, the drop in and modified parts are of the same design, function, and dimensions as the original factory supplied parts. The gunsmithing work performed by SAI falls into two (2) categories: (1) replacing certain factory supplied parts with SAI supplied “drop in” parts; and/or (2) changing the aesthetic appearance and/or “feel” of the factory supplied parts through polishing, cutting, and/or engraving. For the reasons that follow, neither category of work constitutes “manufacturing”.

Pursuant to ATF Ruling 2009-2, “Any person who installs ‘drop in’ replacement parts in or on existing, fully assembled firearms does not manufacture a firearm, and does not need to be licensed as a manufacturer under the Gun Control Act. A ‘drop in’ replacement part is one that can be installed in or on an existing, fully assembled firearms without drilling, cutting, or machining. A replacement part, whether factory original or otherwise, has the same design, function, substantially the same dimensions, and does not otherwise affect the manner in which the weapon expels a projectile by the action of an explosive. Any person who is licensed as a dealer, which includes a gunsmith, and who installs ‘drop in’ replacement parts in or on existing, fully assembled firearms as described in this ruling does not need to be licensed as a manufacturer under the Gun Control Act. Any person who is engaged in the business of installing ‘drop in’ replacement parts in or on existing fully assembled firearms as described in this ruling must be licensed as a dealer, which includes a gunsmith, under the Gun Control Act.” (emphasis added).

ATF Ruling 2009-2 provides guidance as to several specific issues. First, the activity of installing drop in replacement parts in or on existing, fully assembled firearms does NOT constitute the manufacturing of a firearm. Second, a person who engages in this activity does NOT need to be licensed as a manufacturer. Third, the replacement parts do NOT need to be factory original parts provided that they have the same design, function, substantially the same dimensions, and do not affect the manner in which the weapon expels a projectile. In other words, the replacement parts do NOT need to be identical to the original parts that are being replaced as long as they do not affect the way that the way that the firearm functions mechanically. Lastly, a person who engages in the business of installing drop in replacement parts in or on existing fully assembled firearms must be licensed as a dealer (ie. not as a



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manufacturer). Therefore, ATF Ruling 2009-2 stands for the proposition that the activity itself does NOT constitute manufacturing; and consequently a person engaged in that activity does NOT need to be licensed as a manufacturer.

Pursuant to ATF Ruling 2009-1 “Any person who engages in an activity or process that primarily adds to or changes a firearm’s appearance, by camouflaging a firearm by painting, dipping, or applying tape, or by engraving the external surface of a firearm, does not need to be licensed as a manufacturer under the Gun Control Act. Any person who is licensed as a dealer/gunsmith, and who camouflages or engravings firearms as described in this ruling does not need to be licensed as a manufacturer under the Gun Control Act. Any person who is engaged in the business of camouflaging or engraving firearms as described in this ruling must be licensed as a dealer, which includes a gunsmith under the Gun Control Act.”

“Engraving firearms is a process in which a decorative pattern is placed on the external metal of a firearm primarily for ornamental purposes. The engraving can be cut by hand or machine, or pressed into the metal. There are other engraving techniques that cut designs into firearms, such as, checkering or scalloping.” See ATF Ruling 2009-1 at page 1. “Performing a cosmetic process or activity, such as camouflaging, that primarily adds to or changes the appearance or decoration of a firearm is not manufacturing. Unlike manufacturing processes that primarily enhance a firearm’s durability, camouflaging is primarily cosmetic. Likewise, external engravings are cosmetic in nature and primarily affect only the appearance of a firearm.” See ATF Ruling 2009-1 at page 2 (emphasis added). Stippling is nothing more than an engraving or checkering technique that is used on polymer framed firearms. Knurling and texturing are the modern equivalents of checkering and/or scalloping. As per ATF Ruling 2009-1, these techniques, like engraving, do not constitute manufacturing. Consequently, persons who are engaged in the business of checkering or engraving (or in this case stippling or knurling) firearms are not required to hold a manufacturer’s license.

Salient Arms International, Inc. holds a Type 07 – License to Manufacture Firearms. Therefore, the issue is not whether SAI is properly licensed to engage in the business of manufacturing firearms. Instead, the question is whether SAI’s activities constitute manufacturing that would require SAI to re-mark the frames of firearms so as to identify SAI as the manufacturer of those firearms. Based upon both ATF Ruling 2009-1 and ATF Ruling 2009-2 (attached), such activities are NOT manufacturing. Therefore, SAI is not legally obligated to mark these firearms identifying SAI as the manufacturer pursuant to 27 CFR 478.92(a) and 479.102(a).

Additionally, the regulatory purpose behind requiring firearms manufacturers to mark the frames of firearms that they manufacture is so that BATFE can be trace them back to their point



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of origin. Right now, BATFE can trace each and every firearm identified above back to their original manufacturer. The identity of the original manufacture and serial number of each firearm is clearly marked on the frame of each firearm. Requiring SAI to re-mark these firearms as being manufactured by SAI would only serve to defeat this regulatory purpose and cause unnecessary confusion. BATFE would have to go through the additional work of determining the point in time that a Glock pistol became a SAI pistol. If the purchaser of a SAI tuned pistol were to install a ZEV slide, Jarvis Custom barrel, Ghost trigger, and Aim Point sights, would the frame have to be re-marked again to identify each of these companies as the manufacturer? It is respectfully submitted that would serve no useful purpose.

Finally, requiring SAI and other similar companies to re-mark the frames of complete firearms would violate the intellectual property rights of the original manufacturer. It is doubtful that Glock, Smith & Wesson, Benelli, or any other major firearms manufacturer would allow SAI or anyone else to mark their patented designed firearms as their being of their own manufacture. This will only serve to cause even more confusion in the future.

Please do not hesitate to contact me should you have any questions or require additional information. Thank you for your time and anticipated cooperation.

Sincerely,

Jeffrey A. DiLazzer

JAD:me

Enclosures

cc: Jason Williams (via e-mail only – Jason.K.Williams@usdoj.gov)



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CORPORATE VERIFICATION AND ACKNOWLEDGMENT:

We, Adrian Chavez and Aaron Chavez, hereby certify as follows:

- (1) We are officers, directors, and shareholders of Salient Arms International, Inc., a Nevada corporation;
- (2) We are identified as responsible persons on Salient Arms International, Inc.'s federal firearms licenses;
- (3) We have read the above letter dated August 29, 2018 prepared by Salient Arms International, Inc.'s general legal counsel, Jeffrey A. DiLazzero, Esquire. The above letter was written at the direction of Salient Arms International, Inc.
- (4) To the best of our information, knowledge, and belief, the information contained in Mr. DiLazzero's letter dated August 29, 2018 is true and correct; and
- (5) We are aware that if any of the foregoing statement made by us are willfully false, we are subject to punishment.

By: Aaron Chavez, Vice President

SALIENT ARMS INTERNATIONAL, INC.,
A Nevada Corporation

By: Adrian C. Chavez, President

Dated: August 29, 2018